

**MINUTES OF THE CHESHIRE TOWN COUNCIL BUDGET COMMITTEE
MEETING AND SPECIAL MEETING HELD ON WEDNESDAY,
MARCH 28, 2012, 6:30 P.M. IN ROOM 207, TOWN HALL, 84 SOUTH MAIN
STREET, CHESHIRE CT 06410**

Present

Budget Committee: David Schrumm, Chairman; Michael Ecke, Thomas Ruocco.
Council Members: Tim Slocum, Patti Flynn-Harris, Andy Falvey, Sylva Nichols,
James Sima, Peter Talbot.

Staff: Michael A. Milone, Town Manager; James Jaskot, Finance Director;
Dr. Greg Florio, Supt. Of Schools.

1. ROLL CALL

The clerk called the roll and a quorum was determined to be present.

2. PLEDGE OF ALLEGIANCE

The group Pledged Allegiance to the Flag.

3. DISCUSSION RE: FY 2012-2013 OPERATING BUDGET

Mr. Milone distributed a handout of information which the Council had requested during the prior budget workshops.

Page 1 – Medical Insurance Analysis – is a summary of the medical benefits and contributions to the trust fund as of 3/27/12. The first four columns are for the self-insured healthcare plan - \$2,457,476 paid from the Town's budget. FY 2013 totals are based on the 7% increase in medical insurance rates. It is hoped that better rates will be negotiated, and the estimate is about 3.37%. Mr. Milone will run these numbers through all of the classifications and savings could be about \$80,000. One change is 10% employee contribution to the HMO.

The consultant and Town staff met, and the consultant has many things to look at, and from his analysis there is more money to be saved with plan redesign and higher co-pays. During executive session on April 2nd, the Council will review all the details of the medical benefits trust plan with Attorney Dugas.

On the BOE side, the budget increase in medical benefits is 5%. The BOE is starting to look into detail and changes and Dr. Florio does not see a big change.

Page 4 – Debt Service Analysis/Impact of Pool and WPCD Departments. This data shows a 3-year analysis, and how much of the bond payments are for the pool and WPCD. In FY 2013 total gross debt is \$8,928,206; less the transfer payment from WPCD fund of \$599,854; the total general fund debt service is \$8,328,352. Indirect costs are about \$150,000 to \$180,000 for all of the administrative and associated services provided to WPCD. The \$178,000 payment from the prison/Dept. of Corrections goes into the WPCD fund.

Summary book, page 108 – is the revenue budget report for the WPCD control fund; in FY 2012 there was an assumption to use \$112,000 to balance this budget; from FY 2011 (\$456,760) to FY 2012 (489,971) there is an increase in the fund balance of \$33,211. There is an increase in user fees of \$10, and every \$5.00 generates \$45,000 in revenue.

Mr. Jaskot noted that WPCD's direct paid debt is going up from \$566,000 to \$599,000, and the fund is paying more in debt service.

Mr. Milone stated that there are many options going forward in dealing with the plant upgrade. The good news received today is that Cheshire is still #4 on the DEEP priority list and could get the loan and grant +30% grant for the phosphorous. Any increase in user fees revenue goes into the WPCD budget.

Page 2 – is a survey of all the salary accounts in Cheshire, using the 2011 and 2012 revised budget, and the 2013 Town Manager recommendation.

In FY 2011 the total is \$11,762,335; FY 2013 is \$12,382,281; this is a 4.7% increase in the last 3 years. A salary adjustment in one year becomes a permanent increase in the next year. The only true comparison is overtime which has been consistent for the last few years.

Page 3 – Position Adjustments. Mr. Milone reviewed these department adjustments with the Council.

Library – the Director negotiated a change in a position with declassification and reduction in work hours; and upgraded the Library II position to 30 hours per week; total cost is \$13,488. Proposed further reductions total \$6,744, with savings of \$4,417.

Public Property – One Maintainer position is moved out of this department into the Public Works Department (\$50,906); Building/Property Maintenance position reduced by 6 (\$6,300); Custodian hours increased at a cost of \$19,541; savings of \$4,700 with reduction in contractual services. Total - (\$42,365).

Public Works – Maintainer (from Public Property) is \$51,912; Senior Crew Leader position is \$65,395; less one Maintainer (\$54,829); total \$62,478. The PW Department has 1 Supervisor, 1 Senior Crew Leader, 3 Crew Leaders and 14 Maintainers. General Fund Grand Total - \$15,696.

There is a laborer at the community pool on the weekends with reduced hours, but no elimination of this position.

Page 3 – Technology Initiative Cost Estimates – The CEP appropriation in FY 2011-12 was \$350,000; as of 11/1/11 – 2/29/12 there have been expenditures of \$75,112. The I.T. Consultant cost is split \$15,700 each from Town and BOE. There will be savings of about \$8,000 for data lines no longer being used. An

encumbrance of \$80,679 is for the Business Resumption Disaster Recovery equipment, software and labor.

The Technology Study Committee will be meeting in a few weeks to discuss and review all the technology initiatives.

Apex Technology, the consultant, will be coming forth with what is needed over the next 3 years and the sequence.

Mr. Milone informed the Council he has been going through files and minutes and CEP data going back to the 1990's. In his research he found there has not been an investment in technology since 1996. Had the Town hired a consultant 15 years ago the configuration of equipment would be very different, and there would have been a mandate for a replacement schedule.

It was stated by Mr. Milone that we are trying to fill a hole and build a foundation of the infrastructure to make the system more efficient, possibly save money, and provide better service. It will take a year of operational changes and software implementation before he can state to the Council there are efficiencies and cost savings.

Ms. Flynn-Harris commented on dispatcher recovery being an investment which the Town must have and it should have been done back in 1996.

CAD/RMS Project Cost Estimates – in the FY 11-12 CEP there was an appropriation of \$350,000 for this system. The cost of the project was \$480,000; the Fire and Police Departments allocated \$65,000 from each of their gift accounts to cover the cost of the system. Project management (Apex) is \$9,600; data conversion is \$30,000; integration software cost is \$6,314.

Apex, the project manager, recognized the incorrect interface for the GIS to work with the CAD system, and \$6,314 had to be spent for the integration software so Police and Fire Departments could take full advantage of the GIS system when it is installed. Going forward there will be further expenses for the CAD system. The Fire Department must purchase hardware for installation of the GIS system into the fire trucks.

Page 6 – this is a memo from PW Director Michaelangelo explaining the original estimate of 10% reduction in solid waste with the single stream recycling program. The new estimate is 12% reduction in solid waste and 35% increase in recycling.

Many communities who use this program responded to an inquiry from Mr. Michaelangelo with New Britain stating an 85% reduction, Naugatuck 22% reduction, Wethersfield with a reduction of 763 tons and \$50,000 savings. The exception is \$100,000 savings in tipping fees at \$69 a ton with the new program.

Plainville CT started the program in July and the town manager expected 10% reduction in solid waste.

Page 7 – shows the current and proposed pool fees 2012-2013, and this will be reviewed by the Council during the budget process.

Handout 3/22/12, pages 6 to 8 – Mr. Milone advised that he spoke with A.J. Waste about the recycling program and the estimated cost and savings. He informed the Council that there is little difference in the cost of the various sized toters.

Ms. Flynn-Harris said that the Town will purchase various sized toters, and some people may want to trade in for a smaller or larger toter after using one size for a period of time. In the community there is confusion about toters, and she noted that these receptacles have wheels, and people must be aware of the various sizes available to them.

There will be a request made to the local media/press that the single stream recycling program with use of toters has not been approved by the Town Council.

MOTION by Mr. Falvey; seconded by Mr. Ruocco.

MOVED that the Town Council enter Executive Session at 7:30 p.m. to include Town Manager Milone, and representatives from A.J. Waste (Bonnie Wallinger and A.J. Wallinger) to discuss potential negotiations of the solid waste contract.

VOTE The motion passed unanimously by those present.

MOTION by Mr. Falvey; seconded by Mr. Ruocco.

MOVED that the Town Council exit Executive Session at 8:20 p.m.

VOTE The motion passed unanimously by those present.

Page 103 Summary Book – Reserve Account. Mr. Milone advised that the reserve account is 9.4%. A surplus of just over a million dollars is projected which would bring the fund balance to \$9,775,323; net of the \$600,000 is the unassigned fund balance July 1, 2012 of \$9,175,323, or 9.4% of the estimated GF expenditures.

Mr. Slocum asked about going down to 9% in the fund balance, using about \$250,000 for the next fiscal year.

Mr. Milone said he would like to use \$100,000 of the surplus to offset the deficit in the community pool budget. He hopes the insurance company claim settlement will pay for the dehumidification unit at the pool.

At 9% fund balance, Mr. Slocum said we could be moving up to \$800,000 (rather than \$600,000) into the operating budget.

Mr. Milone's recommendation is to not change the use of the \$600,000, but just use more of the projected surplus. In FY 13-14, we would have to meet an \$800,000 hole to start from the same level budget.

It was stated by Mr. Schrumm that to get closer to 8% we just do not add to the fund balance, and wait until the books are closed in September. If something is used it should be for a specific project, i.e. road improvements.

Mr. Sima suggested putting money into the reserve account to offset the jump.

Stating that the Council has been using \$600,000 for a long time, Mr. Schrumm said that as the budget gets bigger the numbers also get bigger, and the question is whether to use \$700,000.

This year the surplus was right on at the \$600,000 number, and Mr. Milone said that \$127,000 of the projected surplus went into CNR and was appropriated to the pool for the blower, tarp, new system controlling the air pressure, heat, etc. In order to accomplish what the Council wants, the appropriation would have to be increased from fund balance and for immediate impact in FY 12-13, the money would be used as revenue. In FY 13-14, Mr. Milone said the only thing is that we must make sure there is \$800,000 to use, and \$800,000 again and again so we don't start out with a reduction in that revenue.

Mr. Ruocco said he does not want to see surplus dollars rolling over into fund balance, and more of the projected surplus should be used rather than fund balance.

The Council was told by Mr. Milone that, in good conscience, he is comfortable with the surplus number of about \$1 million.

Mr. Jaskot noted one reservation is rating agencies needing an explanation of where the fund balance is coming from and they have concerns about not having a fund balance to fall back on at some point. According to Mr. Jaskot, the number was 5% years ago. In good times our fund balance increased in all of the years, and now 8% to 12% is out there as a percentage.

In an ideal world the agencies expect municipalities to have two months of expenses in reserve.

Mr. Schrumm commented on it taking time to get down to 8% fund balance level, and the town could end up at 8.3%. If there is a financial disaster, and the town is trending nicely, \$400,000 could be spent by 6/30/12.

Of this \$400,000 Mr. Milone would like to see \$100,000 going to the pool.

Mr. Schrumm asked about what other one time expenditures there are and if there is a project that could help bring this number down.

Mr. Milone will put together options for Council to review. The money could be put in CNR, paying cash for more projects next year. The one prudent thing which was done is allocating only \$500,000 of the \$1.1 million of the CNR. We are not deferring projects by virtue of not spending the entire CNR or using it to offset storm related expenses. No projects are being harmed by not spending the CNR. \$100,000 more could be put into next year. We must look at the project list for next year, and if we add \$100,000 define how is it used.

With expanded road paving, Mr. Milone said that the capital projects for Public Works were reviewed. CNR money is not needed for these projects, because Mr. Michaelangelo can de-authorize more money than the \$200,000+ in additional projects which might be done...and up to \$700,000 could be de-authorized. Also, the money could be put in the debt service reserve account for the treatment plant upgrade.

Ms. Flynn-Harris commented on the possible projects which might come out of the Ameresco audit.

These projects will not affect the Town until the next capital budget, and projects will be known in October or November.

Mr. Slocum questioned using another \$300,000 to \$400,000 and rolling it into CNR, and if that would be this budget cycle with a reduction of CNR by this amount.

This could be done, or the Council could expand the amount in CNR from \$1 million to \$1.4 million, and Mr. Milone said this would save money on future borrowings. He would rather take money and use it for the debt service spike which will occur, and anything that can be done to reduce this spike is important. While there is a debt service reserve of \$2.4 million, it will be depleted in 2.5 years. He hopes that the WPCD fund balance will continue to be substantial and they can help with funding some of the upgrade costs.

Mr. Schrumm said that CNR has been our safety net, and the assumption is increasing CNR by \$200,000 annually. It is okay to put in another \$400,000, but this year's appropriation should not be reduced. He asked Mr. Milone and Mr.

Jaskot for ideas on the CNR such as amount, timing outside the normal budget process.

According to Mr. Jaskot there is a good idea of where we will stand when June rolls around and everything gets encumbered. With budget transfers in August there is a solid surplus at that point.

Mr. Milone said staff is comfortable at what is being looked at now. The projected deficit for the pool is \$100,000 and will not be less. With some insurance money this number could be \$70,000 to \$80,000, and anything over last year's deficit of \$70,000 will cut into the \$100,000 projected for this year's deficit.

The rating agencies do look at fund balance level, and Mr. Milone said this is important. One thing that sets Cheshire apart from other towns is having the highest tax collection rate in the State. We continue to budget less than we collect, and this demonstrates that Cheshire budgets conservatively, and has a surplus of at least \$420,000. Every one-tenth of a percent collected is about \$70,000 more in revenue.

Mr. Ruocco expressed concerns about using fund balance and surplus towards operating costs because of the challenge in the following years. He said that something must be done about overtime and this should be revisited by the administration.

In response, Mr. Milone reported that in three years overtime was \$6,996; salary increases were 2.25% to 2.5%; and overtime is only going up by 1.2%. Three-fourths of the overtime is in the Police Department and is contractual. There will be discussion about staffing issues with the Police Chief at the April 2nd meeting in executive session. Mr. Milone noted that the hours are not increasing dramatically, but it must be remembered that an hour of overtime each year costs more because of salary increases.

Mr. Ecke asked for a list which corresponds to the mill rate, and what Mr. Milone view on what he would cut in his budget. For example, the budget is cut by \$1 million, with \$600,000 coming from the Town, and a priority list of what would be eliminated from Mr. Milone's budget. This would give the Council an idea of the direction in which it should go.

In one of the charts it shows where hours were cut in the pool and at the library, and Mr. Schrumm does not see, given the challenges with increasing salary base and medical benefits, how hours or people could be added to this budget. He believes there are extra hours of productivity between Public Property and Public Works for coverage at the community pool when it is needed. An existing person could be moved to the pool to do the work there.

In response, Mr. Milone said it is not coverage but quality of the service. He cannot have a custodian handling the maintenance of the pool facility, and the employee won't do it because his job description does not allow it.

Mr. Schrumm questioned hiring a brand new person for the job at the pool, and put him down there to do stuff. And, it is the same thing for the library. Last year there were discussions on doing without one person, and now there is a request to add additional hours for a staff member. It is a question of technology, putting money into these things, and where is the payback.

Ms. Flynn-Harris commented on the fact that investment in technology also means investing in people to maintain the technology. Without a maintainer at the pool facility to handle all the requirements on a daily, weekly, monthly basis – doing what Ms. Adams cannot do and what a custodian cannot do, the warranties will be violated. It must be understood that sometimes these are investments. The person at the library is an investment in the technology being used, and this is a person already on staff to maintain the technology the public is demanding and using. It is not just a cost savings with use of technology, but the functionality being offered.

Handout 3/27/12, page 3 – Mr. Milone reviewed the data, stating that the net effect is one position of Maintainer at the pool; the net cost in the general fund is \$16,000; the net cost in the pool is about \$12,500.

Regarding technology, Mr. Milone researched the 1992-95 CEP budgets, and not a dime has been spent on technology in 16 years. There will not be immediate payback shown, but it will fill a hole which is getting deeper and deeper, and has almost engulfed the Town coming to a halt. The Town has completely inadequate technology infrastructure. What is now being done is getting the Town up to a point where it should have been years ago. A technology plan was developed with no replacement of equipment, and equipment is 5 generations old. Mr. Milone noted it would take one year to realize the benefits of identified savings which can be built into a budget. He thinks there will be, but does not know where, how much or how soon.

Mr. Milone informed the Council that “the elastic is stretching”, and the initiative is allowing staff to continue to maintain services which could not be maintained without these technology enhancements. It is a question of whether we want to maintain services, or see them start to diminish...and they will diminish without the opportunity to use this technology. There will be provision of cost avoidance for the future. The Library Director has stated there is a demand from the public for more and better technology and enhanced services.

There may not be savings demonstrated, but Mr. Milone said there will be a demonstrated improved benefit, but no payback in dollars. At the library, a reduction in 5 hours equates to \$11,000 savings. There are technology demands

which cannot be supported, and the person with the increased in hours is the technology person who supports the demands at the library.

With regard to the expansion of the recycling program, Mr. Milone commented on there being some ambivalence from the Council about this program being expanded. This is a program which has some potential to save money and has immense benefits in many ways. He gets the sense from the Council that there is not a comfort level, and he does not believe more dollars can be squeezed from the hauler, with more savings to the Town. Mr. Milone senses there is not an overwhelming support for the single stream recycling program from the Council. He questions whether he presented it the right way, and if it should be characterized differently, and go back and re-think the program. He said these are the kinds of things that make really good sense in terms of what the Council wants to hear from the Town's managers. Yet, he is not certain there is comfort or support for the program from the Council.

Mr. Slocum stated the fact that Mr. Milone came up with savings also demonstrated that there are better savings than 10%.

In response, Mr. Milone said there is \$50,000 savings on the tipping fees and another \$30,000 to \$50,000 in the hauler's contract. This is a range of about \$80,000 savings overall.

Mr. Slocum stated that this is also based upon what may have been too conservative an estimate on the increase in recycling. He does not buy A.J.'s 30%.

This is the call for the Council to make, and Mr. Milone said he will be conservative and hopes the savings is much higher. He does not want to aim higher and have everyone say we have to find money for this program, and it is not working as expected. He believes 10% is way too low, but is assured it will be at least 10% savings. He wants to use CNR next year to buy the toters, and eliminate some of the projects which are not critically important – such as capital planning.

Councilors Falvey, Flynn-Harris, Nichols and Talbot expressed support of the single stream recycling program and believe that 10% reduction in solid waste is low.

Ms. Flynn-Harris stated that this program would not have come out of subcommittee if it were not worth pursuing. And, the committee knew 10% was a conservative number.

Mr. Schrumm said that what is being stated is that the Town will not go out to bid on the 2nd largest contract in the Town.

It was stated by Mr. Falvey that even if we break even, we are talking about \$50,000 off the operating expenses of the Town.

Mr. Talbot said you do not over-estimate savings. We would be postponing \$160,000 worth of savings in two years.

If the program is postponed, Mr. Milone said the Town will not realize these savings. He is not sure what the hauler would come back with in two years on a bid, as they are anxious to extend what they have, and if the numbers would be as competitive. There is a bit of certainty as opposed to uncertainty, and this is what we are faced with.

According to Mr. Milone there is not a lot of competition in this field, and he can check with other municipalities that have gone out to bid.

Mr. Milone asked the Council to consider the \$500,000 in fund reserve which has not been touched. We have five more years of incremental increases. The question is whether the Council would use \$50,000 or \$70,000 from the pension reserve. This money is sitting there, but reserves are there for a purpose, and some of the money could be used to offset the pension increases over each of the next 5 years.

When Mr. Milone puts together what is proposed to cut on the expense side, Mr. Ecke said that revenue enhancements could be put together, i.e. like using money from the pension fund.

In that regard, Mr. Milone said he is not comfortable with using money from the Heart & Hypertension or OPEB funds, but is comfortable with using some money from the pension reserve.

Mr. Schrumm asked Councilors to submit any ideas or suggestions for Mr. Milone to include in his list.

Mr. Milone said the question is where the Council wants him to end up.

Usually, Mr. Milone gives the Council tiers submitted for adjustments to the budget, and Mr. Ecke said this is what is needed for discussion.

If the target is a .5 mill rate increase, Mr. Milone said he will develop a strategy to pay for toters out of CNR. There is a residual balance in CNR of \$200,000, and maybe \$100,000 of the surplus could be taken and use only \$150,000 out of next year's CNR. He will have a package prepared relative to getting to various levels at tenths of a mill increase. He will have a list of expenses and revenue enhancements (use of CNR, fund balance) for the FY 12-13 budget.

The Council was informed that the next scheduled meeting is APRIL 2, 2012, 7:30 p.m. in Executive Session. There is a meeting scheduled for April 3, 2012, at 6:30 p.m.

4. ADJOURNMENT

MOTION by Mr. Talbot; seconded by Mr. Sima.

MOVED to adjourn at 9:10 p.m.

VOTE The motion passed unanimously by those present.

Attest:

Marilyn W. Milton Clerk